

Message Text

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ACTION IO-14

INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-10 L-03
FRB-03 OMB-01 ITC-01 SP-02 ICA-11 AGRE-00 AID-05
CIAE-00 COME-00 EB-08 INR-10 LAB-04 NSAE-00
OIC-02 SIL-01 STR-07 TRSE-00 CEA-01 SS-15 INT-05
ISO-00 /146 W

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R 021123Z MAY 78

FM USMISSION GENEVA

TO SECSTATE WASHDC 9097

INFO ALL OECD CAPITALS

AMEMBASSY BANGKOK

AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY CARACAS

AMEMBASSY LAGOS

AMEMBASSY LIMA

AMEMBASSY MEXICO

AMEMBASSY MONROVIA

AMEMBASSY NEW DELHI

AMEMBASSY NOUAKCHOTT

AMEMBASSY PORT OF SPAIN

AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: UNCTAD, EMIN

SUBJECT: UNCTAD COMMODITIES: IRON ORE: APRIL 24-28

EXPERTS MEETING

1. SUMMARY: FOLLOWING A PERFUNCTORY DISCUSSION OF WORK
PROGRAM TOPICS, THE EXPERTS FORMED A CONTACT GROUP TO NEGOTIATE
A PROGRAM FOR CONDUCTING FURTHER STUDIES IN PREPARATION FOR
A SECOND SESSION, OCTOBER 16-20. WHILE IT IS CLEAR
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THAT ALL CONSUMERS AND THE PRODUCERS EXCEPTING VENEZUELA,
INDIA, ALGERIA AND PERU WOULD LIKE TO FIND A FORMULA FOR
SHELIVING THE UNCTAD IRON ORE DIALOGUE, NO DELEGATION WAS
PREPARED TO PRESS OPENLY FOR THIS OBJECTIVE AT THE FIRST
EXPERTS SESSION. END SUMMARY.

2. GENERAL DISCUSSION: DISCUSSIONS BEGAN WITH SCATTERED

COMMENTS REGARDING INADEQUACY OF DATA AND NEED FOR MORE SYSTEMATIC COLLECTION OF STATISTICS. US INDICATED IT WAS PREPARED TO FILL ANY IDENTIFIED GAPS IN DATA WITHIN THE LIMITS OF PUBLICLY AVAILABLE INFORMATION. HOWEVER, US REPRESENTATIVE PRESSED THE PRODUCERS TO ARTICULATE THEIR PROBLEMS CLEARLY IN ORDER TO FOCUS FURTHER DATA GATHERING AND STUDIES ON SPECIFIC OBJECTIVES. THIS SUGGESTION EVOKED VIRTUALLY NO RESPONSE FROM THE OTHER DELEGATIONS. IT WAS CLEAR THAT WHILE MANY PRODUCERS WERE PREPARED TO BEWAIL THE CURRENT PRICE SITUATION, NONE WAS SUBSTANTIALLY PREPARED TO IDENTIFY SPECIFIC PROBLEMS AT THIS MEETING. INDIA, ALGERIA AND VENEZUELA RE-OPENED THE ISSUES OF INDEXATION AND DEFINING STANDARD IRON ORE GRADES WHICH HAD BEEN EXCLUDED FROM THE EXPERTS TERMS OF REFERENCE AT THE OCTOBER 1977 PREPARATORY MEETING. AUSTRALIA STATED IT WAS NOT CONVINCED THAT THERE WERE ANY PROBLEMS IN THE IRON ORE INDUSTRY AMENABLE TO INTERNATIONAL ACTION WHILE BOTH CANADA AND THE EC URGED THE GROUP TO CONCENTRATE ON DATA COLLECTION AND TECHNICAL DISCUSSIONS. THERE WERE NO JOINT STATEMENTS OR POSITIONS BY THE PRODUCERS, WHOSE SOLIDARITY SEEMS TO HAVE BEEN REDUCED TO JOINT TEMERITY TO END THE DISCUSSIONS (ALTHOUGH THIS WISH WAS REPEATEDLY EXPRESSED IN CORRIDOR CONVERSATIONS BY PRODUCER REPRESENTATIVES OTHER THAN THE FOUR MILITANTS.)

3. DRAFT REPORT: THE GROUP AGREED TO ISSUE A CONSOLIDATED REPORT AFTER THE SECOND MEETING. FOR THE CURRENT SESSION IT LIMITED OFFICIAL USE

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ADOPTED A TEXT PREPARED FROM A DRAFT BY THE CHAIRMAN (CANADA) WHOSE MAIN FOCUS IS STUDIES TO BE PREPARED BY OCTOBER MEETING. IT REQUESTS THE UNCTAD SECRETARIAT TO PREPARE STUDIES ON STOCKS AND FURTHER PROCESSING IN THE DEVELOPING PRODUCING COUNTRIES AND TO OUTLINE A POSSIBLE FRAMEWORK FOR A SYSTEM OF STATISTICS ON IRON ORE TO ENABLE BETTER FORECASTING. (THIS IS UNDERSTOOD TO ENTAIL NO COMMITMENT TO CONSIDERING A PRODUCER/CONSUMER FORUM). ADDITIONALLY, GOVERNMENTS ARE INVITED TO SUBMIT TO THE UNCTAD SECRETARIAT DESCRIPTIONS AND ANALYSES OF ORE GRADES AND STATISTICAL INFORMATION WHICH DISAGGREGATES PRODUCTION, CONSUMPTION, STOCKS, AND TRADE INTO PRODUCT TYPES. THE REPORT FURTHER REQUESTS THE UNCTAD SECRETARIAT TO REFINE ITS PREVIOUS STATISTICAL EFFORTS USING THE NEW DATA AND TO IDENTIFY SIGNIFICANT REMAINING GAPS IN INFORMATION ON THE INDUSTRY. A NEW UNCTAD SHIPPING COMMITTEE REPORT WHICH COVERS TRANSPORT OF IRON ORE MAY BE ISSUED IN TIME FOR CONSIDERATION AT THE OCTOBER MEETING.

4. THE REPORT ALSO INCLUDES A PROPOSAL BY LDC PRODUCERS THAT THE SECRETARIAT UNDERTAKE STUDIES ON (1) STANDARDIZATION OF REFERENCE GRADES AND (2) RELATIVE PRICES, PRICE

MOVEMENTS (F.A.S., F.O.B. AND C.I.F.) AND COSTS FOR IRON ORE OF VARIOUS GRADES AND FOR OTHER INPUTS IN THE IRON ORE AND STEEL INDUSTRIES. SECRETARIAT STUDIES ON THESE TWO SUBJECTS WERE OPPOSED BY CONSUMERS AND THE DEVELOPED COUNTRY EXPORTERS. THEY AGREED ONLY TO CONSIDER STUDIES ON STANDARD GRADES DONE BY GOVERNMENTS OR BODIES OTHER THAN THE UNCTAD SECRETARIAT (THE IRON ORE PRODUCERS ASSOCIATION IS UNDERSTOOD TO HAVE SUCH A STUDY UNDERWAY) AND PROPOSED THAT GOVERNMENTS AND BODIES OTHER THAN THE UNCTAD SECRETARIAT COULD PROVIDE PAPERS ON FACTORS INFLUENCING PRICES, COSTS, AND EXPORT EARNINGS (ITEM 2C IN THE ORIGINAL TERMS OF REFERENCE) FOR THE NEXT MEETING.

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5. MILITANT PRODUCERS SOUGHT TO INCLUDE LANGUAGE IN THE
REPORT ACKNOWLEDGING "THAT THE PRICES PREVAILING HAVE BEEN

LOW AND THAT THE INDEX OF DEFLATED PRICES...HAS SHOWN A
DOWNWARD TREND SINCE THE MID-FIFTIES." FINAL TEXT OF REPORT
ON THIS ISSUE WAS NEGOTIATED TO READ "THE GROUP NOTED THAT
THE IRON ORE EXPORT INDUSTRY IS AT PRESENT IN A GENERALLY
DEPRESSED STATE, WHICH IS, INTER ALIA, A REFLECTION OF THE
CURRENT SITUATION IN THE STEEL INDUSTRY. MOST EXPERTS FROM
EXPORTING COUNTRIES STATED THAT THE PRICES PREVAILING FOR
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IRON ORE HAVE BEEN LOW AND THAT THE INDEX OF DEFLATED PRICES
AS CALCULATED BY THE UNCTAD SECRETARIAT (TABLE IVC, DOCUMENT
TD/B/IPC/IRON ORE/AC/4) HAS SHOWN A DOWNWARD TREND SINCE THE
MID-1950'S. VARIOUS EXPERTS FROM IMPORTING COUNTRIES STATED
THAT THE TREND OF IRON ORE PRICES IN THE LAST TEN YEARS HAS
GENERALLY BEEN UPWARD WHILE PRICE MOVEMENTS FOR 1978 TO DATE
ARE MIXED."

6. COMMENT: THE CONTINUED DISARRAY WITHIN THE IRON ORE
PRODUCERS ASSOCIATION, THE LOSS OF INTEREST BY THE PRODUCER
SPOKESMAN (ARCAYA OF VENEZUELA WHO HAS BEEN DESIGNATED
AMBASSADOR TO AUSTRALIA) AND THE DISINTEREST OF CANADA,
AUSTRALIA AND BRAZIL IN THE UNCTAD EXERCISE ALL CONTRIBUTED
TO A COMPLETE BREAKDOWN OF LEADERSHIP AMONG PRODUCERS.
INDIA'S LOCAL PERMREP (PREM KUMAR) TRIED TO FILL THIS VACUUM
BY PUSHING FOR EXTENSIVE UNCTAD STUDY INTO PRICE AND COST
STRUCTURE OF THE INDUSTRY AND STANDARD GRADES. IN THE FACE
OF ARGUMENTS FROM CONSUMERS AND PRDDUCERS (SWEDEN, AUSTRALIA)
THAT SUCH STUDIES FAR EXCEEDED THE CAPACITIES OF ANY ONE
ORGANIZATION INCLUDING THE UNCTAD SECRETARIAT, THE INDIAN REP
DUG IN HIS HEELS AND REFUSED TO BUDGE. INSTEAD HE SOUGHT TO
CONVERT THIS INTO AN ISSUE OF PRINCIPLE FOR THE JULY AD HOC
COMMITTEE MEETING CLAIMING THAT REQUESTS FOR SECRETARIAT
STUDIES SHOULD NOT BE QUESTIONED. SINCE HE INCLUDED THE
REQUESTS FOR SUCH STUDIES IN THE RECORD, THE US ALSO RE-
QUESTED INCLUSION OF A STUDY ON INVESTMENT. US EVENTUALLY
WITHDREW THE REQUEST SINCE IT GAVE OTHER PRODUCERS AND SOME
CONSUMERS PROBLEMS AND COULD HAVE LED TO A PROLIFERATION OF
INDIVIDUAL REQUESTS LEADING NOWHERE. US MADE CLEAR, HOW-
EVER, THAT STUDY ON REFERENCE GRADES ALSO WENT BEYOND TERMS
OF REFERENCE AND ANY ATTEMPT TO TURN STUDY ISSUE INTO G-
77 - GROUP B CONFRONTATION AT AD HOC MEETING IN JULY WOULD
HAVE TO DEAL WITH SIZE AND NUMBER OF STUDIES RATHER THAN
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PRINCIPLE.

7. ONE HELPFUL DEVELOPMENT AT THIS MEETING WAS THE SUPPORT OF THE FRG AND JAPANESE DELEGATIONS. PERHAPS THE DISARRAY IN THE PRODUCER CAMP ENCOURAGED THEM TO BE MORE OUTSPOKEN IN OPPOSING PRODUCER ATTEMPTS TO NEGOTIATE PREJUDICIAL LANGUAGE INTO THE REPORT. PRESENCE OF HIGH-LEVEL INDUSTRY REPS ON THESE DELEGATIONS ALSO SERVED TO INJECT SENSE OF REALISM WHERE POLITICAL CONSIDERATIONS HAVE RECENTLY BEGUN TO DOMINATE. THE REST OF THE EC WAS AGAIN PREPARED TO ACQUIESCE IN ANY STUDIES NO MATTER HOW IMPRACTICAL. NEXT MEETING WILL HAVE TO PREPARE REPORT TO DECEMBER PREPARATORY MEETING INCLUDING POSSIBLE MEASURES. IF, AS WE ASSUME, LDC PRODUCERS ARE NO BETTER PREPARED TO ARTICULATE PROBLEMS, NEXT MEETING WILL AGAIN BE SHORT ON SUBSTANTIVE DISCUSSION AND HEAVY ON ATTEMPTS TO NEGOTIATE RECOMMENDED MEASURES INTO TEXT. VANDEN HEUVEL

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